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Message Text

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ORIGIN FRB-01

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FM SECSTATE WASHDC
TO AMCONSUL FRANKFURT NIACT IMMEDIATE

C O N F I D E N T I A L STATE 106169

LIMDIS

E.O. 11652: GDS

TAGS: OVIP (BURNS, A.F.) GW

SUBJECT: BRIEFING WIRE

1. GOVERNOR GARDNER MET WITH DEPUTY SECRETARY CARSWELL YESTERDAY AND TREASURY REQUESTED ADDITIONAL INFORMATION RE PAYMENT OF INTEREST ON RESERVE BALANCES. MATTER COULD BE BEFORE EPG NEXT WEEK FOLLOWING TREASURY CONSULTATIONS WITH HUD. ADDITIONAL INFORMATION WILL BE PROVIDED DURING HUDSON CALL WEDNESDAY. SENATOR MCINTYRE ANNOUNCED THIS MORNING THAT HE WOULD HOLD HEARINGS IN EARLY JUNE ON VARIETY OF TOPICS INCLUDING NATIONWIDE NOW ACCOUNTS, FEDERAL CHARTERING FOR MUTUALS, EXPANDED ASSET POWERS FOR SAVINGS AND LOAN INSTITUTIONS. NO FURTHER DETAILS ARE PRESENTLY AVAILABLE. LEADERSHIP OF THE IBAA WOULD LIKE TO MEET WITH YOU IN THE AFTERNOON OF MAY 24 TO DISCUSS AFFILIATE MEMBERSHIP IN THE FEDERAL RESERVE AS A WAY OF ADDRESSING THE FED MEMBERSHIP PROBLEM.

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2. A SMALL SWISS PRIVATE BANK CLOSED ITS DOORS IN GENEVA AFTER LOSING 12 MILLION DOLS. IN THE SWISS CREDIT BANK CASE POSSIBLE LOSSES ARE NOW ESTIMATED AT UP TO 880 MILLION DOLS. THE DOLLAR APPRECIATED TODAY BY .3 PC AGAINST THE MARK AND GUILDER AND WAS UP BY LESSER AMOUNTS AGAINST OTHER SNAKE CURRENCIES AND THE SWISS FRANC. THE DOLLAR ROSE IN

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RESPONSE TO FIRMING IN U.S. MONEY MARKET RATES. OTHER MAJOR FOREIGN CURRENCIES WERE LITTLE CHANGED AGAINST THE DOLLAR AND FOREIGN CENTRAL BANK INTERVENTION WAS SMALL. GOLD FELL SLIGHTLY TO 147.50 DOLS AT THE SECOND FIXING.

3. THE ADMINISTRATION HAS PROPOSED A NEW SOCIAL SECURITY FUNDING PROGRAM WHICH INCLUDES AN EVENTUAL TAX ON EMPLOYERS FOR ALL WAGES PAID, A SMALL RISE FOR WORKERS, AND A DIVERSION OF GENERAL TAX REVENUES WHEN THE UNEMPLOYMENT RATE EXCEEDS 6 PC.

4. THE GOVERNMENT SECURITIES MARKET WEAKENED SOMEWHAT TODAY FOLLOWING SYSTEM OPERATIONS TO ABSORB RESERVES WHEN FEDERAL FUNDS WERE TRADING AT 5-1/8 PC. THE DESK DRAINED OVER 2 BILLION DOLS OF RESERVES THROUGH MATCHED SALE-PURCHASE TRANSACTIONS AND FUNDS TRADED AT 5-3/16 AND 5-1/4 PC DURING THE AFTERNOON. THE THREE-MONTH BILL RATE CLOSED AT 5.84 PC. STOCK PRICES EDGED HIGHER TODAY. THE DOW JONES INDUSTRIALS ROSE 3.05 POINTS TO 936.14.

5. RETAIL SALES IN APRIL WERE UNCHANGED FROM THE MARCH LEVEL, ACCORDING TO THE ADVANCE PARTIAL SAMPLE CENSUS BUR ESTIMATES. THIS FOLLOWED A REVISED 2.1 PC GAIN IN MARCH AND A 2.7 PC RISE IN FEBRUARY. SALES IN APRIL WERE INDICATED TO HAVE RISEN APPRECIABLY AT GENERAL MERCHANDISE STORES BUT TO HAVE DECLINED SOMEWHAT AT AUTOMOTIVE, APPAREL, AND FURNITURE AND APPLIANCE STORES. PRICES ON STEEL SHEET, STRIP, BAR, AND PLATE WILL BE RASED BY U.S. STEEL CORPORATION AN AVERAGE OF ABOUT 6 PC, EFFECTIVE
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JUNE 19, ACCORDING TO AN ANNOUNCEMENT YESTERDAY. THE EFFECTIVE DATE IS LATER AND THE SIZE OF THE INCREASE IS SMALLER THAN THOSE ANNOUNCED BY REPUBLIC STEEL AND YOUNGSTOWN LAST FRIDAY.

6. HAPPY TO ANNOUNCE CATHERINE IS DOING WELL FOLLOWING HER SURGERY. CHRISTOPHER

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